

# Commission on Streamlining Government

Senator Jack Donahue, *Chairman*  
Roy O. Martin, *Vice Chair*  
Angele Davis, Commissioner of  
Administration  
Barry Erwin  
Brett F. Geymann, Representative  
Leonel Hardman  
John Kennedy, State Treasurer  
Lansing Kolb  
Mike Michot, Senator  
Jim Morris, Representative



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**Commission Staff**  
Jerry J. Guillot, *Administrator*  
Tim Prather, *Coordinator*  
Trudy Fourmy, *Secretary*

## MINUTES

Tuesday, October 20, 2009

9:00 a.m.

Senate Committee Room A-B

**DATE APPROVED: October 27, 2009**

### I. CALL TO ORDER

A meeting of the Commission on Streamlining Government was held on Tuesday, October 20, 2009, in Senate Committee Room A-B of the State Capitol in Baton Rouge, Louisiana. Senator Donahue, Chairman, called the meeting to order at approximately 9:03 a.m.

### II. ROLL CALL

The secretary called the roll and the following was noted:

#### MEMBERS PRESENT

Senator Jack Donahue  
Representative Jim Morris  
State Treasurer John Kennedy  
Angele Davis, Comm. of Administration  
Barry Erwin  
Roy Martin  
Leonel Hardman  
Lansing Kolb  
Senator Mike Michot

#### MEMBERS ABSENT

Representative Brett Geymann

#### STAFF PRESENT

Jerry Guillot, Chief of Staff  
Tim Prather, Coordinator  
Trudy Fourmy, Secretary

#### WITNESSES PRESENT:

No one present to testify.

### III. APPROVAL OF MINUTES

Senator Donahue notified the commission that the minutes to the meeting of 9-02-09 were in the folder but had not been sent to them earlier. He asked that they take a minute to look over the minutes before motion to approve. Representative Morris then motioned that they be adopted; no objections.

#### **IV. PROCEDURAL MATTERS**

Senator Donahue then took up procedural matters to be covered and asked Mr. Guillot to explain them. Mr. Guillot advised that the chairman and other members of the commission had requested to put into writing the process by which the commission would proceed with recommendations as we move forward. This proposal would add Rule XIII to the commission's Rules of Procedure entitled Procedure for Consideration of Proposed Recommendations. The proposal would add 3 paragraphs. The first paragraph states the commission will consider recommendations by groups and also by individual members. In the second paragraph, it would provide the process for recommendations which come from the advisory groups. After a period for comment, the advisory group will report back to the commission as to the status of that recommendation. The third paragraph concerns member recommendations which would have them read into the record and referred to the proper advisory group. Thereafter, the same time period will be allowed for consideration and written comment. They will report back to the commission and will parallel the legislative process. Motion was made by Mr. Martin to adopt the proposed addition to the Rules of Procedure. There being no objection, it was so ordered.

#### **V. ADVISORY GROUP RECOMMENDATIONS**

Recommendations were then received from Mr. Kennedy's advisory group on Efficiency and Benchmarking. His first recommendation began with #16 which reduced the \$12.5 billion backlog of state road construction and maintenance by providing an alternative to raising the state gas tax by recommending that 75% of the money in Louisiana's Capital Outlay program be spent on road construction and maintenance through the existing priority program for the next five years. At present, it is less than 50% and Mr. Kennedy felt that our roads should be a priority. Senator Donahue then discussed the list of deferred maintenance at our universities. Ms. Davis informed everyone that in capital outlay reform they have limited non-state projects to 25% which will allow them to free up additional dollars to be used for other important needs.

Recommendation #17 concerned the New Orleans Charity Hospital, recommending that it be rehabilitated and to use the currently unoccupied building as a public teaching hospital. He discussed studies by RMJ that indicates that over \$300 million could be saved over new construction. There is another recommendation he has to take \$50 million of the savings to actively recruit nationally known and recognized academic physicians and researchers. Senator Donahue informed the commission that Item #20 was the recommendation he was referring to and suggested that the two be combined. Mr. Erwin questioned the recommendation being germane based on the legislation dealing with higher education and institutions managed by boards. Mr. Kennedy pointed out that the new teaching hospital in New Orleans had signed an agreement and that the facility would be administered by a new non-profit entity which is not part of higher education. Mr. Guillot stated there was some overlap but that the hospital is delivering health services and that his view was that because of the overlap, the provisions of health services would be in the jurisdiction of the commission. Senator Donahue thought that discussion should be had regarding the charity hospital system and how it would be funded. Mr. Martin stated it was part of the commission's review because it dealt with the cost of buildings, the maintenance, the airplanes, cars, etc., throughout state government which is not part of the structure of higher education, but the financial aspects of it. Mr. Guillot answered that his initial thoughts were that there were a number of things to be discussed regarding employees and benefits that will apply across the board. He added that while we are not aiming at higher education, we are not discussing structural organization and that we are discussing assets. Ms. Davis wanted to relay additional information to Mr. Kennedy that the RMJ design did

not include all program elements that were included in the current design that LSU is contemplating. Mr. Kennedy stated he was aware and was also aware of the Adams consulting group hired by the division to critique the RMJ plan and that had a long history of working for LSU which predated Katrina. He was also aware that the other group the division hired to review the RMJ plan was Phase II Consulting, a senior consultant which is Mr. Don Smithburg, who was dismissed by LSU and a previous proponent of building a new hospital. He was not implying that the consultants were impartial or biased but was saying that there was that appearance and he thought that before we commit \$1.2 billion of taxpayer money that we get an independent review of the proposal.

Ms. Davis stated she was not familiar with the background as they were hired before the governor took office but she wanted to make sure that when they did the comparison, they would make sure that they took out those program elements included in the current design being contemplated and wanted to make sure that the advisory group had information on other projects that have been rehabilitated in New Orleans and the extent of the unforeseen conditions that those projects found after the design and construction were bid for those particular projects. She asked them to look at the Supreme Court project and the old nursing dormitory project. Ms. Davis stated that her staff was prepared to present all the facts to Mr. Kennedy's advisory group if given the opportunity. Mr. Kennedy was of the opinion that the first thing that should be considered was rehab of the building. If not, then one should look into buying an existing one and then look at joining with another hospital. Lastly, one should look at building a brand new one. Mr. Kennedy has reviewed the plan for a new hospital and Senator Donahue's concern was where the money would come from to build a new hospital. He questioned the cost of retrofitting the old hospital compared to building a new one at a cost of \$1.2 billion. He stressed that we needed to do something with regard to a teaching hospital in New Orleans but he did not know how to pay for what is being contemplated. He wanted to see information on it.

Mr. Kennedy informed everyone that the plan was a power point presentation that made two critical assumptions, that in order to cash flow the new hospital, it will capture 84% of the uninsured market. The reason for this is that we receive extra money from the federal government to treat the uninsured (Disproportionate Share Program). If health care legislation passes congress, that 84% will have insurance which will eliminate the Disproportionate Share Program. He explained that David Hood testified before his advisory group that when Medicaid was extended to children through LaChip, only 4% of the children returned to Charity Hospital. The second assumption was that they were planning to cash flow the hospital by increasing their self-pay patients from 2 ½% to 5%. They would ask faculty members teaching at the university that are in private practice to refer their patients to the new hospital. They have not been doing it to present time and Mr. Kennedy thought that doctors knew they cannot force their patients to go to a hospital they did not want to. Secretary Levine has told him that they are developing a new business plan to explain the cash flow of the new hospital but he suggested that the old business plan will never cash flow under the new health care legislation. Senator Donahue told him that he had a copy of the entire business plan and would get him a copy along with an analysis of that plan. Secondly, he stated that federal government is considering increasing Medicaid eligibility to 133% of poverty level. He was of the opinion that there were a lot of considerations that were not on the table that needed to be looked at before a \$1 billion decision could be made. Ms. Davis encouraged the advisory group to hear from the VA as they were a very important component to the new business model to discuss opportunities that exist as we consider rebuilding Charity in conjunction with the VA. Mr. Kennedy thought that they could look at letting the hospital take the bottom half of the hospital and lease out the top half to the VA, which would pay us rent.

Recommendation #18 would require the non-elderly or non-disabled recipients of any affordable housing assistance programs to obtain employment and require those who cannot find employment to participate in a supervised job search or educational training program. This recommendation is based on President Clinton's effort in 1996 to reform the Aid to Families with Dependent Children program. Currently, the state has 50,081 family units subsidized by the housing finance agency. There is a possible savings of \$11,432,250.

Senator Donahue stressed that the language in the recommendations was what would be considered and urged the groups to look at all of them and if some language needed to be changed, to contact the staff and it would be changed as they would be precise with the language of the recommendations.

Recommendation #19 would require all boards and commissions to submit financial statements by 2/01 of each year. The statements would set forth in detail its liabilities and assets, unencumbered and encumbered, including cash on hand, so the legislature could have the data to consider if some of the excess cash could be used for other purposes. Retirement systems are excluded because that money does not belong to the state but belongs to beneficiaries of the system. Ms. Davis liked the idea of having that information and thought we should ask the auditor for information for this commission. Mr. Kennedy has already requested this information but has not received it.

Recommendation #21 was to adopt the Oregon Kicker law on spending limits with a mechanism to return revenue above a designated target to taxpayers. During robust times, tax collections increase and new programs are created but cannot be funded any longer if entering into a recession period. The law would state that at the beginning of a fiscal year a forecast be done for projected revenue the next year but when the revenue comes in above 2% more than the projected revenue, the excess above 2% is automatically rebated to taxpayers. For Oregon, it has evened out the growth in government. He recommended that this law be adopted with the exception that the money first go to the rainy day trust fund and when it is full, rebate to the taxpayers. Senator Donahue discussed oil and gas prices and a proposal to limit spending based on the cap.

Recommendation #22 regarded privatization, recommending that the state privatize only when the benefits exceed the disadvantages and saves money yet delivers better products for less. It would also require that before any contract is let, it must be reviewed by the Joint Budget Committee. Mr. Kennedy stated that the contracting agency would be responsible for oversight and would be required annually to review the cost to ensure that they are less than the benefits. It would also require the hiring contractors to give preference to public employees displaced from the privatization.

Recommendation #23 was to supplement the state web site to make it searchable by department and enable anyone to see where the money goes. Ms. Davis informed the commission that they tracked Texas information and that our system has additional information, in that we offer and provide downloadable data but do not provide pictures of checks.

Mr. Kennedy wanted to give answers to questions that had been asked previously on proposals presented at the last meeting. Someone had asked about savings from non-emergency ER visits. According to PAR, in 2004 approximately 900,000 visits were made for non-emergency visits at a cost of \$300 per visit rather than in the doctor's office. If the number was reduced by 25%, it would save \$65.9 million

The next information given to the commission from Mr. Kennedy was with regard to savings on requiring inmates to obtain a GED. He stated that a study had been done in 2003 and they found that 32% of inmates who received their GED returned within 3 years, compared to 37% who did not earn their GED. The numbers for inmates 21 years of age and under were 13% fewer inmates that received a GED came back in 3 years over those who did not get a GED. The average cost per inmate is \$14,547 or \$39.75 per day. Overall, requiring the GED would save a minimum of \$15,274,350. If the model were just applied to those 21 and under, it would save \$28,366,650. The cost of the GED is \$40 per inmate in a virtual classroom if more than 500 sign up.

Senator Donahue requested that the above information be put on the proposals from the previous meeting and requested that staff take care of it for them.

## **VI. COMMISSION MEMBER RECOMMENDATIONS**

Senator Donahue had a recommendation which was that excluding federal or court ordered requirements, to limit State General Fund appropriations in 2010-11 and 2011-12 for operating expenses of each budget unit to no more than 98% of each fiscal year's appropriation while providing the same kind and level of services by increased productivity. He added that this would include elementary and secondary education. He summarized that each department would be asked for better production with a 2% reduction. The action required for this would be in the Governor's formulation, BESE revision of the MFP formula and legislative appropriations to benefit the savings. This would amount to a savings of \$154 million per fiscal year. Ms. Davis stated that it appeared that all of the departments would continue to provide the same programs and services and also take a 2% reduction. Senator Donahue explained that if a department is producing more than in the previous year, all those programs would not be subject to a reduction if more is produced. Ms. Davis asked if any type of investment in technology would be available to make it more efficient or if it was just a net savings. Senator Donahue stated that this recommendation would go to Mr. Erwin's advisory group for review and could be back on the commission's agenda as early as two weeks. He invited her input into the recommendation, and Ms. Davis stated that she was under the impression that the commission agreed not to do an across-the-board cut as it would impair their ability to provide services and programs. The commission has focused on recommendations that eliminate certain programs or reduce certain services of lower value. She agreed to continue to work with them if the commission would be willing to accept any potential amendments to this recommendation. Senator Donahue wanted to point out that it is normal practice in private industry to receive credits for the ability to be able to perform work and he is in hopes that the same thing can be done in state government.

Mr. Martin echoed Ms. Davis' sentiment and asked if the recommendation was requiring the government to do all the same services for a 2% cut or if they should optimize their services. Senator Donahue stated that the thought was to do all the same services but for 2% less than the previous year. Mr. Martin asked if it was for the ones that may not be deemed necessary. Senator Donahue reminded him that the ones which are not necessary will hopefully be eliminated. He then stated that this might not be brought back in 2 weeks, that it might be held until some of the other things coming up take place to see what the overall effect will be. He said he would not put it on the agenda right away to give the commission a chance to have as much discussion as possible and to see what other proposals will be made and to make sure they do not interfere with each other. The recommendation was then referred to Mr. Erwin's advisory group.

Mr. Martin had six recommendations to give to the commission, the first being a consolidation of departments. He stated that Secretary Levine had recommended that the Office of Mental Health and the Office for Addictive Disorders be combined in both areas of care and that would also consolidate the Office of Behavioral Health which would increase access to appropriate care for a significant number of persons with mental illness and/or addictive disorders. This recommendation sought to combine the two offices to streamline administrative functions at a savings of \$350,000 per year.

The second recommendation was to eliminate the DOTD airplane, as the use is outdated and can be outsourced or combined with the same type aircraft in other states. The savings would be \$600,000 per year. Senator Michot stated that this was a good recommendation and wanted to know about selling the plane. Mr. Martin did not have figures on that particular issue but agreed that they did not need a plane.

The third recommendation was also with DOTD in eliminating 3 ferries (Melville, White Castle and Reserve) which were costing over \$15 per automobile and one as much as \$150 per vehicle. He added that there were bridges within 15 miles of these ferries.

The fourth recommendation dealt with Corrections, for an RFP to outsource pharmaceutical services, both personnel and management costs, for a \$1.2 million savings. It would require substantiation through the RFP process. This recommendation came at the request of the department. Ms. Davis informed the commission that the department already had an RFP and was getting ready to put it on the street and was also working with OJJ to maximize savings by allowing OJJ to participate.

The fifth recommendation was a near duplication from the last meeting with the exception of the collection of probate fees to outsource collection of fees and fines throughout Public Safety and Corrections. The two departments testified before the advisory group that over 30% of an officer's time is used to collect fees. This could be consolidated into the new credit manager office of the state and it would save approximately \$3.7 million. It would cover fees for fines, adjudications, criminal penalties or restitution. This would cause a reduction in TO by getting rid of that function in the department. Collection of all fees will be centralized.

The sixth recommendation referred to the Governor's Office of Homeland Security, concerning the warehouse full of rations with a shelf life. The recommendation asks that the commodity inventory be outsourced to a private carrier that can rotate the stock more readily so that it never expires. This would create a savings of about \$2 million. Mr. Martin added that the company that takes the inventory will keep the inventory on site or distribute it out. Mr. Spiceland gave the commission information on the shelf life and rotation of inventory and that a reassessment will be done and perhaps an extension of shelf life given. Treasurer Kennedy asked for information on any inventory which had expired and what was done with it. Senator Donahue directed Mr. Martin's advisory group to get the information for Mr. Kennedy.

## **VII. PUBLIC COMMENT**

There were no witnesses signed up to give testimony.

## **VIII. OTHER BUSINESS**

Mr. Guillot informed the commission as a reminder that the Bond Commission was scheduled to meet next week at the same time we have been meeting and that we will have to be in another room.

Senator Donahue asked Mr. Kennedy as to what time the Bond Commission was meeting and when the meeting would be over. Mr. Kennedy explained that he would move the meeting if possible, but that they are selling GO bonds and they are holding on-line bidding and he could not move it. However, he thought it would be over by 12:00 noon. Senator Donahue then announced that we would change the meeting time for the commission to 1:00 on October 27.

#### **IV. ADJOURNMENT**

There being no other business to conduct, Senator Donahue motioned to adjourn; no objection. The meeting adjourned at approximately 10:30 a.m.

October 27, 2009

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DATE APPROVED

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Chairman Jack Donahue